PROVINCE OF SASKATCHEWAN

REPORT OF THE

INDEPENDENT REVIEW COMMITTEE

ON MLA INDEMNITY

JUNE 2006

Review Committee – Mr. Arthur Wakabayashi

INDEPENDENT REVIEW COMMITTEE ON MLA INDEMNITY
Legislative Assembly of Saskatchewan

www.legassembly.sk.ca/MLAIndemnity

Room 33, Legislative Building
Regina, Saskatchewan S4S 0B3
Email: MLAIndemnity@legassembly.sk.ca

Toll Free: 1-800-553-3312
Telephone: (306)798-7101
Fax: (306)787-0408

June 30, 2006

Honourable P. Myron Kowalsky
Speaker of the Saskatchewan Legislative Assembly
129 Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Mr. Speaker:

I am pleased to submit herewith the Report of the Independent Committee on MLA Indemnity. This report is presented in accordance with Section 65 of the Legislative Assembly and Executive Council Act, 2005, and pursuant to Order-in-Council 84/2006 dated February 2, 2006.

I acknowledge with thanks all of the individuals and groups who contributed to and assisted me with this review. I have included a list of acknowledgements in my report. Please be assured that I have carefully considered and weighed all of the suggestions, recommendations and comments I received.

I am particularly indebted to Dr. Terence McKague, who provided invaluable counsel, assistance and support throughout the conduct of this review.

I thank you for this opportunity to be of service.

Respectfully submitted,

Arthur Wakabayashi
Review Committee

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EXECUTIVE SUMMARY

The mandate of the Independent Review Committee on MLA Indemnity was limited to the review of the basic annual indemnity paid to Saskatchewan MLA's and the manner by which the indemnity should be adjusted. In its review and comparative analysis, the Committee describes the salary of an MLA as made up of the indemnity ($64,817) and an annual expense allowance ($5426) which is not taxable. In order to compare Saskatchewan MLA's salary with those of other jurisdictions and with other private and public sector positions and groups in the province, the Committee has added a taxable equivalent value of the annual expense allowance ($8,356) to the annual indemnity. The current assigned value of an MLA's salary is $73,173.

It has been more than ten years since an independent committee has carried out a review of MLA compensation in Saskatchewan. Based on its recommendations in 1996 the annual indemnity was set at $55,000 and the annual expense allowance at $4500. Since 1996 the indemnity and allowances have been adjusted annually by the annual increase in the Saskatchewan CPI until 2004 when MLA's elected to accept the 0-1-1 public sector wage guidelines introduced at that time.

Suggestions received by the Committee included the opinion that MLA's salary should be reduced, reflecting the observation that MLA's are overpaid for what they do and that current compensation is adequate, to the opinion that salary has fallen behind relative to MLA's in other jurisdiction as well as salary levels in public and private sectors, to the belief that salaries should be increased to reflect the importance of the full time role of MLA's and to attract qualified candidates.

The Committee concluded that over the past ten years, MLA's salary has fallen behind a number of comparative indicators including Saskatchewan CPI, average weekly earnings, public and private sector wage settlements, and relative position with other provincial jurisdictions. While the Committee was unable to equate the role of an MLA with any occupational or professional group or positions, the Committee acknowledges that MLA's salary have fallen behind salaries of suggested comparable positions.

The Committee also received several submissions that called for the elimination of the annual expense allowance which is not subject to income tax. The tax free allowance is an irritant and is resented by the public. The salary paid to an MLA should be transparent and taxable and comparable to salaries paid to MLA's in other jurisdictions and to public and private positions and occupational groups. The Committee notes that four provinces, BC, Man, Ont, and NS have eliminated the annual expense allowance and the House of Commons for Members of Parliament.

It is therefore the recommendation of the Independent Review Committee that:

The current annual expense allowance (tax-free) of $5,426 be eliminated and that the MLA receive an annual indemnity of $80,500.

The Committee reviewed a variety of mechanisms used to adjust annually MLA's salary and allowance. Three provincial jurisdictions including Saskatchewan use the Consumer Price Index, five provincial jurisdictions use wage related adjustments such as average weekly earnings, private sector and public sector wage settlements, and one uses a combination of these factors.

The Committee received representation to use the average weekly earnings in Saskatchewan as representative of what the entire province is receiving in terms of average compensation and reflective of the overall performance of the economy. Over the long run, the average annual rate of increase of average weekly earnings is higher than the cost of living increase, but it is more volatile. On the other hand, the use of CPI to maintain the purchasing power of MLA's salary is widely understood and accepted.

There is a consensus that MLA's salaries should be reviewed on occasion by independent review committees or commissions, which is the general practice across the country. It has been further suggested that, once the salary is set following such a review, the Board of Internal Economy should no longer be able to change the salary until the next independent review.

The Committee then considered how often such a review should occur and concluded that an independent review should be conducted every five years. If conducted at least every five years, such reviews could recommend compensation levels that would reflect variances that might be discovered between what MLA's have been earning relative to the wages of other comparator groups. The review would also take into consideration the prevailing provincial economic conditions and the fiscal capacity of the government. Normally the mandate should include the review of MLA's indemnity, allowances for additional duties, transition allowance, expense allowances and pension and benefits.

It is therefore the recommendations of the Independent Review Committee
that:

The Consumer Price Index for Saskatchewan, applied April 1 of each year, continue to be used to adjust the salaries and allowances of Members of the Legislative Assembly,

that

Mandatory independent reviews be conducted at least every five years to examine relevant components of MLA compensation, including allowances for additional duties, transition allowance, expense allowances, pension and benefits.

and that

Once the Board of Internal Economy has considered the recommendations of such reviews and has set Members' salaries and allowances, the Board will no longer have the authority to adjust such amounts, other than accountable expense allowances, between independent reviews, with Members being obliged to accept the salaries and allowances to which they are entitled.

INTRODUCTION

The MLA Indemnity Review Committee views a Legislative Assembly in Saskatchewan as being made up of individuals who are:

- Capable of performing the law-making, advocacy and trustee functions associated with their positions
- Motivated to represent their constituents and all citizens of the province in the most effective way, and
- Satisfied that their compensation, benefits and working conditions are commensurate with the full time responsibilities they assume as elected officials.

As a Review Committee we have been asked to examine one component of a Member's work life, the MLA annual indemnity. In its review and comparative analysis, the Committee describes the salary of an MLA as made up of the indemnity and an annual expense allowance which is not taxable. In addition to reviewing the basic salary, the Committee has been asked to recommend the manner by which the indemnity should be adjusted.

It has been more than ten years since an independent committee has carried out a review of MLA compensation in Saskatchewan. In a report tabled in March, 1995, the McDowell Committee proposed a series of changes affecting salaries and allowances provided to MLA's, all of which were put into effect. Once the basic indemnity had been established, the mechanism used to adjust salaries and allowances since 1996 has been the Consumer Price Index for Saskatchewan.

This system appeared to work satisfactorily until 2004, when the provincial government introduced wage guidelines affecting the public sector. Although MLA's were not obliged to accept the 0–1–1 guidelines, they elected to do so, resulting in subsequent adjustments that were more modest than would have been the case otherwise. At the same time, recent increases in public and private sector earnings resulted in MLA's realizing that they have been falling behind some other occupational groups and limited in their ability to take advantage of the economic prosperity of the province.

The Independent Review Committee has been asked to examine the issue of MLA compensation in order to determine what is a fair and appropriate level of salary for MLA's and how that salary should be adjusted in future.

In carrying out this task the Committee:

- Compared MLA compensation in Saskatchewan with Members in other Canadian jurisdictions
- Reviewed other benchmarks that might be relevant in comparing the compensation of elected officials
- Considered mechanisms in addition to Cost of Living indices for adjusting the salary of MLA's.

In order to encourage input into the work of the Review, the Committee prepared background information relevant to its mandate, identified questions that could serve as a guide for those making submissions, and created a web-site for purposes of the review, including ways by which individuals and organizations could make contact with the committee.

In the Acknowledgments section, a listing of all those persons and organizations who contributed in various ways to the work of the Review Committee is provided.

MLA SALARY

In this section the Committee identifies a series of beliefs that underly its review of an appropriate indemnity for Saskatchewan MLA's, taking into consideration the opinions of those who have made representation to the Committee. In addition, we have reviewed such matters as (external benchmarks), comparisons with other occupational groups, salary adjustments since 1996, prevailing economic conditions, and relative position vis-a-vis Members in other jurisdictions. Finally, the Committee has examined the place of the tax free expense allowance as a component of MLA compensation in making its recommendation re: MLA indemnity.

Underlying Principles in Determining MLA's Salary

- MLA compensation should reflect the importance of their full time role as elected officials, including their legislative responsibilities and constituency representation
- MLA's should be compensated at a fair and equitable level to attract capable and qualified individuals to offer themselves for public service
- Salary levels should not be so modest that they discourage qualified candidates from running, or so generous as to be a major inducement for seeking office
- Compensation to MLA's should be transparent, simple to understand, and accountable.
- Any increase in the level of compensation should be respectful of taxpayers and the costs they would be required to assume.

Factors Considered in Reviewing MLA's Salary

The following factors were considered by the Committee in reviewing the basic indemnity paid to MLA's:

- Annual expense allowance (tax free) as part of an MLA's salary
- Prevailing economic conditions and fiscal capacity of the Province
- Comparison with Member salaries in other jurisdictions
- Relationship to public and private sector wages in Saskatchewan
- Cost of living increases.

Suggestions Received During Consultation

Suggestions received by the Committee included the opinion that MLA salary should be reduced, reflecting the observation that MLA's are overpaid for what they do and that current compensation is adequate, to the opinion that salary has fallen behind relative to MLA's in other jurisdiction as well as salary levels in public and private sectors, to the belief that salaries should be increased to reflect the importance of the full time role of MLA's and to attract qualified candidates.

Based on comments received from the general public, there is little support for any increase in MLA's salary, with some even calling for a reduction. They observe that MLA's are well paid for the number of days they sit in the House; they have never encountered their MLA in the constituency; and that some MLA's continue to earn outside income. MLA's are considered by some to be overpaid for a "part time job" requiring no formal qualifications.

Others contend that, with a shrinking tax base in the province, we cannot afford any salary adjustments that come out of public funds. Increasing MLA salaries is not justified when the general public is not being fairly dealt with in regard to social service recipients, common wage earners, senior citizens and those on fixed incomes. Several have concluded that MLA's are adequately compensated (among the top 9% of wage earners in the province) and are not supportive of any increases beyond cost of living adjustments.

A number of submissions called for the elimination of the annual expense allowance that is tax free, a component of MLA compensation which appears to be resented by the public and serves as an irritant in the way MLA's are indemnified. On the other hand, the Committee also received support for increasing MLA salaries, contending that the demands on elected officials have been growing to the extent that the role of an MLA is a full time commitment. Increasingly, MLA's are expected to be available to their constituents and others at all hours of the day and night, creating pressure on their private lives and making it difficult for their families. MLA's who have businesses, including farming, are often obliged to hire out their staffing requirements.

It appears that professionals are increasingly reluctant to run for office because of the reduction in salary they would experience. For example, a chartered accountant interested in Saskatchewan politics and economic development chose not to enter public life at the provincial level because of an estimated pay cut of approximately 30%, creating a disruption in his career path.

While most politicians run for office to serve the public, a significant increase in MLA salaries may attract more professionals and other qualified candidates. Otherwise, the province may have to settle for MLA s who are financially independent or under-skilled. Several sources pointed out that Saskatchewan MLA's salary has fallen behind Members in other jurisdictions and relative to wage settlements in both the public and private sector.

Several suggestions were made to attempt to find an appropriate benchmark for establishing MLA salaries and at the same time depoliticize the process of setting and adjusting MLA compensation. If a benchmark could be found that was beyond the direct influence of the government, it would avoid the criticism of MLA's being self-serving in revising their own salaries. Possible occupational benchmarks suggested included provincial court judges (now set at the national average of provincial court judges), Members of Parliament or MLA's in other jurisdictions (national average, prairie or western provinces average). In some cases the salary of Saskatchewan MLA's salary would need to be set at a specific percentage of the selected benchmark.

While relating MLA compensation to some external benchmark would depoliticize the process of setting and adjusting MLA salaries, this would not necessarily provide a "made in Saskatchewan" solution to the problem. The government would not have the flexibility to take into consideration such factors as its economic and fiscal capacity, earnings and wage settlements in the public and private sector, and inter-provincial cost of living comparatives including housing costs. Other comparators that were investigated included: senior public servants, secondary school principals, and mid-career lawyers in private practice.

Some have advised that it is not possible to equate an MLA's role with any occupational or professional group. Salary and compensation levels for equivalent groups are typically based on such factors as required knowledge and skills, level of responsibility, impact on policy formulation, supervisory duties, budgetary responsibilities, effort, working conditions, and comparative salary levels in the common labour market While the role of an MLA is significant in terms of legislative decisions affecting the lives and well-being of people in the province, an MLA volunteers to serve for one term at a time, requires only minimal paper qualifications, and is not likely to be recruited away.

Committee's Analysis of MLA Salary

The Committee has assumed in its review and comparative analysis that the current salary of an MLA (effective April 1, 2006) is made up of:

Basic indemnity - $64,817
Annual expense allowance - $5,426

The annual expense allowance is officially classified as a reimbursement for expenses and is not subject to income tax. It is paid monthly to members without requiring receipts and is considered earnings for pension purposes. In order to compare Saskatchewan MLA salaries with those of other jurisdictions and with other private and public sector groups in the province, the Committee has added a taxable equivalent value of the annual expense allowance (grossed up amount) to the basic salary.

The grossed up value depends on the MLA's taxable income as follows:

Taxable Income	Marginal Tax Rate (Sask. 2005)	Grossed up Value Expense Allowance
$37,000 – $71,100	35%	$8,356
$71,200 - $105,000	39%	$8,898
$105,100 - $115,700	41%	$9,170
$115,800 -	44%	$9,712

For this review of MLA salary, the Committee assumed the taxable income of an MLA with no additional duties and little outside income would be around $70,000. For comparative purposes we have assigned a salary of $73,173, made up of the annual indemnity of $64,817 and a grossed up value of the annual expense allowance of $8,356. (See Table 1: Member Indemnity and Expense Allowance Comparisons).

As a starting point, the Committee used as a reference the indemnity of $55,000 and expense allowance of $4,500 recommended by the 1995 Independent Committee on MLA Compensation (McDowell Report) effective July 1, 1996.

MLA indemnity and allowances have been adjusted annually on the first day of April by the annual increase in the Consumer Price Index for Saskatchewan. This continued to be the pattern until April 1, 2004, when MLA's adopted the 0-1-1 wage guidelines applied to public sector unions in the province. (See Table 2: MLA Salary-Compensation Indices Since 1996). It is noted that the annual expense allowance was adjusted by the increase in cost of living of 2.4% on April 1, 2004 followed by a 1% increase on April 1, 2005 and a 1% increase on April 1, 2006.

Since public sector settlements exceeded the original wage guidelines, a case could be made for MLA's to be compensated retroactively for the cost of living adjustments they would have been entitled to during this period.

	Indemnity		Expense Allowance	
	Received	CPI Adjusted	Received	CPI Adjusted
April 1, 2004	$63,540	$65,001. .	$5,319	$5,319
April 1, 2005	64,175	66,431	5,372	5,436
April 1, 2006	64,817	67,892	5,426	5,556

The Committee is not prepared to recommend any retroactive catch up. However, it wishes to note that MLA's would be receiving the equivalent of $76,610 if they had not adhered to the 0-1-1 wage guidelines but had taken the CPI adjustments in effect during those years.

Prevailing economic conditions and fiscal capacity of the Province

It has been suggested to the Committee that it is inappropriate, for purposes of setting MLA compensation, to take into consideration prevailing economic and fiscal conditions in the Province. Total estimates of the cost of MLA indemnities, allowances, and expenses in the 2006-07 Provincial Budget is $11,305,000 or .14% of a total budget of $7.8 billion. It is apparent that any increases proposed in this report would have a negligible impact on the province's finances.

The Committee believes that setting MLA salaries should be sensitive to the prevailing economic conditions and of the Province. Presumably this was a major factor in the Government's decision to introduce the 0-1-1 public sector wage guidelines in 2004. While the current financial position

of the province is favourable and Saskatchewan's economic performance appears to be strong, the Committee is mindful that the current increase in revenues comes primarily from non-renewable resources. The agriculture sector remains in difficulty, the tax paying base is not growing, and the demands for public spending far exceed the province's fiscal capacity to respond.

Nevertheless the Committee concludes that there is room in the Province's fiscal resources to restore the cost of living adjustments that would have applied had MLA's not adhered to the 0-1-1 public sector guidelines, in addition to providing some adjustments relative to public and private sector wage increases in recent years.

Comparison with Member salaries in other jurisdictions

Table 1: Member Indemnity and Expense Allowance Comparisons illustrates that the salary of Saskatchewan MLA's (indemnity plus grossed up value of the tax free allowance) currently ranks eighth among other Canadian provinces. Based on the recommendation of the McDowell Report, Saskatchewan MLA's salary in 1996 was fifth in the rankings across Canada. In relation to neighbouring provinces, salaries of Saskatchewan MLA's are behind Alberta and slightly ahead of Manitoba. The national average among the provinces now stands at $78,710 compared to Saskatchewan's at $73,173. In 1965 Saskatchewan's salary for MLA's was set at slightly below the national average.

Relating Saskatchewan MLA salaries to those of other provinces is considered to be a valid exercise. Since the role of Members is similar, it could be argued that the salary level should be similar across Canada. However, traditionally there has been a fairly wide variation among provinces that needs to be taken into account in reviewing the salaries of Saskatchewan MLA's.

While mobility is not typically a factor for MLA's, it is noted that generally wage settlements in Saskatchewan try to take into account wage levels in neighbouring provinces. Saskatchewan wages usually fall somewhere between Alberta and Manitoba. If we were to rely only on interprovincial comparisons as a basis of setting the salary level of a Saskatchewan MLA, it would indicate a salary of $78,500. This would restore Saskatchewan to fifth in the rankings interprovincially, leaving the province slightly below the national average, behind Alberta and ahead of both British Columbia and Manitoba.

One difficulty of using interprovincial comparisons is the timing of MLA salary reviews and adjustments (excluding annual adjustments) in the other jurisdictions.

Comparison with public and private sector occupational groups

A number of occupations deemed to have equivalent duties and responsibilities to that of MLA's were identified to the Committee, including public service executives, senior policy analysts, school principals, nursing supervisors, and mid-career lawyers. A listing was obtained from Labour Market Services Canada of occupational groups whose average annual incomes (using 2004 estimates) in Saskatchewan fell within the $70,000 - $80,000 and $80,000 - $90,000 ranges.

Two occupational groups of possible relevance to the position of MLA were Government Managers – Economic Analysis, Policy Development and Program Administration, and Educational Administrators of Elementary and Secondary Schools.

In assessing the relevance of occupational comparators, the Committee also examined other independent reviews of MLA compensation and discovered no evidence of a benchmark that could adequately identify a public or private sector position or occupational group comparable to the role of an MLA.

The Committee examined the view that Saskatchewan MLA salaries have fallen behind relative to wage settlements in both the public and private sectors. We determined that they have fallen behind relative to MLA salaries in other provincial jurisdictions. (See above section Comparison of MLA salaries in other jurisdictions).

Table 2: MLA Salary-Compensation Indices Since 1996 provides data comparing the annual increases and the average annual increase of Saskatchewan wage settlements with the adjustments received by Saskatchewan MLA's. The table also includes the Saskatchewan Average Weekly Earnings index. (It could be noted that Alberta uses a similar index for the annual adjustment of MLA salaries in that jurisdiction).

If MLA salaries had been adjusted by the Saskatchewan Average Weekly Earnings index, the current salary (grossed up) would be $77,970. If MLA salaries had remained comparable with SGEU in-scope salaries since 1996, the current salary (grossed up) would be $82,200. Over this period wage settlements for teachers and nurses were even higher. However, the Committee noted that the SGEU in scope settlements included pay equity adjustments. If pay equity adjustments were factored out, the SGEU in-scope settlements would have averaged slightly higher than the average annual increase of the Saskatchewan CPI.

While this type of comparison establishes a trend line, it does not differentiate an employee in a collective bargaining framework, who may receive regular merit increases and/or salary increments for years of service, with that of an MLA. The salary received by an MLA is the same regardless of years of experience or level of effectiveness, and is only adjusted in the case of Saskatchewan by the annual CPI. However, MLA's can also receive allowances for additional duties, which may take into consideration their experience and capabilities.

Linking MLA's salaries to public sector wage settlements could also be perceived as representing a conflict of interest. While not directly involved in provincial contract negotiations, the Cabinet establishes the parameters for negotiations and approves increases for public servants.

The Committee concludes that there is sufficient data to support the representation received that MLA's salary has fallen behind other wage settlements, particularly in the public sector. While we have been unable to compare the role of an MLA to any particular position or occupational group, there is some relationship with the policy decision making and program delivery responsibilities associated with the public service.

Committee's Recommendation

The Committee considered the following possible salary levels for a Saskatchewan MLA:

Reduction of salary - $70,243 (Rescind $5,426 tax-free portion of MLA salary and make the indemnity and expense allowance fully taxable.)
Maintain current salary - $73,173
Restore cost of living increase - $76,610
Index to increases in average weekly earnings in Saskatchewan - $77,970
Maintain relative position with other provincial jurisdictions - $78,500
Establish salary in the range of $80,000 to $90,000

While the Committee received representation from a number of groups and individuals to reduce MLA's salary, the Committee concludes that, at a minimum, the salary should be increased to $78,500. As described above, this level can be justified using a number of comparisons, including cost of living, average weekly earnings, public and private sector wage settlements, and relative position with Members in other provincial jurisdictions.

The Committee also received representation advocating a substantial increase in the level of compensation provided MLA's, contending that the level of salary they felt was suitable would serve to compensate MLA's for having fallen behind other comparator groups in the province, bring them into line with actual and anticipated salary levels being received by Members in other jurisdictions, and provide an incentive for Saskatchewan residents whose current income is higher than what MLA's are now earning to offer themselves for public service.

The salary range most often proposed to accomplish these purposes was in the range of $80,000 to $90,000 per year. For the reasons outlined previously, the Committee was unable at this time to equate an MLA's role with any particular occupational or professional group or position. However, the Committee acknowledges that some immediate adjustment is merited.

It is therefore the recommendation of the Independent Review Committee that:

The MLA's salary, comprised of the annual indemnity and the grossed up value of the annual expense allowance, be the equivalent of $80,500.

Annual Expense Allowance

While the Committee's mandate was to review the basic annual indemnity, the Committee has assumed for salary comparisons, that the basic salary of an MLA is made up of both the annual indemnity and the taxable equivalent value of the annual expense allowance. As shown previously, the grossed up value of the tax free allowance depending on the MLA's taxable income, ranges from $8,356 to $9,712.

The Committee received several submissions, including one from the Canadian Taxpayers Federation, that called for the elimination of the annual expense allowance. The tax free allowance is an irritant and is resented by the public. The salary paid to an MLA should be simple, transparent and comparable to salaries paid to MLA's in other jurisdictions and to public and private positions and occupational groups. The Committee notes that four provinces, British Columbia, Manitoba, Ontario and Nova Scotia have eliminated the annual expense allowance along with the House of Commons for Members of Parliament. In 1996 only one province, Manitoba, had eliminated the tax free expense allowance.

The rationale for maintaining the tax free expense allowance is to reimburse MLA's who are asked to support many events, functions and organizations by purchasing tickets and/ or by donations which are not claimable expenses. Elimination of the annual expense allowance may put pressure on the Board of Internal Economy to extend the type of expenses incurred by MLA's that may be claimed as accountable reimbursement of expenses.

If the tax free allowance were eliminated, the annual indemnity would need to be increased by the amount of the taxable benefit of the expense allowance. As noted earlier, the amount of the taxable benefit depends on the MLA's taxable income, ranging from $2,930 to $4,286. The amount of pensionable earnings will also be affected by changes to the annual expense allowance. The cost to the Government will increase by the amount that the basic indemnity is adjusted plus any matching pension contributions. This additional cost will be partially offset by the province's share of the income tax on the increased indemnity.

On balance, the Committee believes that eliminating the annual expense allowance, with an appropriate adjustment to the annual indemnity, would be more equitable, clear and understandable to the public than the continuation of the current system.

It is therefore the recommendation of the Independent Review Committee that:

The current annual expense allowance (tax-free) of $5,426 be eliminated and that MLA's receive an annual indemnity of $80,500.

ADJUSTMENT MECHANISMS

Mechanisms for adjusting on an annual basis Members' salaries and allowances can take the following forms:

- Increases intended to maintain purchasing power, i.e. cost of living adjustments such as the Consumer Price Index
- Increases aimed at keeping salary rates at traditional levels relative to other groups, i.e. average weekly earnings or industrial aggregates
- Increases reflecting changes in the ability of the employer to provide compensation
- Combinations of the above.

In Canada, a variety of mechanisms are being used to adjust the compensation of elected officials. As illustrated on the attached summary, (Mechanisms for Adjusting MLA Compensation) three jurisdictions use the CPI, two make use of general wage comparisons, three compare Member compensation to public service salaries, while one uses a combination of factors.

In addition to or in place of the provision of annual salary adjustments, the use of independent commissions or committees is a means by which salaries can be reviewed and, where needed, revised. While some jurisdictions convene such reviews on a regular basis, others utilize this procedure during exceptional times, or after a lapse of some years since any structural change has occurred.

Since 1996, salaries and allowances for Saskatchewan MLA's have been adjusted each April 1 by the change in the CPI for Saskatchewan (Regina-Saskatoon average). Table 2 illustrates the annual adjustments to which MLA's have been entitled since then.

The use of a Consumer Price Index as a basis for salary adjustments has the following advantages:

- It keeps salaries in line with changes in the cost of locally acquired goods and services
- It does not contribute to an artificial escalation of salaries
- Components used in the index are largely beyond the ability of the employer, in this case the government, to influence or control
- It is widely understood and accepted.

Disadvantages that have been identified with the use of a cost of living index:

- It may or may not maintain a consistent relationship with salary changes on the part of relevant groups
- It does not necessarily reflect the ability of the employer to pay more (or less) than what the cost of living provides
- It is not intended to compensate for salary levels that may be inappropriate to begin with.

Those who would question the continued use of the CPI as a means of adjustment for MLA salaries make reference to the perception, if not the reality, that since CPI was introduced in 1996, the incomes of Saskatchewan MLA's have been gradually falling behind. When compared with some employee groups in the province, elected officials and judges in other Canadian jurisdictions, or senior public servants in Saskatchewan, that trend can be found to exist.

Such a finding could suggest that wage indices rather than price indices should be employed to adjust the salaries of MLA's. The Committee considered the recommendation of the Canadian Taxpayers Federation and supported by others to adjust MLA compensation according to the annual change in Average Weekly Earnings in Saskatchewan. The average weekly earnings represents what the entire province is receiving (excluding self employed) in terms of average compensation and reflects the overall performance of the economy. Over the long run the average annual rate of increase of average weekly earnings is higher than the cost of living increase, but it is more volatile.

The Review Committee is in favour of the continued use of the CPI, for the reasons noted above, together with regularly-convened independent reviews.

There is a consensus that MLA's salaries should be reviewed by independent review committees or commissions which is the general practice across the country. It has been further suggested that once the salary is set following a review, that the Board of Internal Economy should not be able to change the salary until the next independent review. While this would depoliticize the process of setting MLAs salary, the government may still encounter the issue of setting public sector wage guidelines which may be less than the MLA's salary increases adjusted by the CPI.

The Committee then considered how often such a review should occur. Options range from annually, after every general election (Manitoba, Prince Edward Island, House of Commons), every three (Saskatchewan Provincial Court Judges), four or five years, to being at the discretion of the Legislative Assembly.

The Committee concludes that an independent review should normally be conducted every five years. If held at least every five years, such reviews could recommend compensation levels that would reflect variances that might be discovered between what MLA's have been earning relative to the wages of other comparator groups. The review would also take into consideration the prevailing provincial economic conditions and the fiscal capacity of the government.

The mandate of an independent review should encompass all components related to an MLA's indemnity, allowances for additional duties, transition allowance, expense allowances, pension and benefits.

It is therefore the recommendation of the Independent Review Committee that:

The Consumer Price Index for Saskatchewan, applied April 1 of each year, continue to be used to adjust the salaries and allowances of Members of the Legislative Assembly,

that

Mandatory independent reviews be conducted at least every five years to examine relevant components of MLA compensation, including allowances for additional duties, transition, expense allowances, pension and benefits.

and that

Once the Board of Internal Economy has considered the recommendations of such reviews and has set Members' salaries and allowances, the Board will no longer have the authority to adjust such amounts, other than accountable expense allowances, between independent reviews, with Members being obliged to accept the salaries and allowances to which they are entitled.

EFFECTIVE DATE FOR SALARY ADJUSTMENT

The Committee considered possible effective dates for changes to the MLA indemnity as recommended by the Review. As indicated previously, the Committee does not endorse any retroactive adjustment of salary, but does acknowledge that members of the current legislature have been disadvantaged by having accepted the wage guidelines introduced in 2004.

One option is April 1, 2007, which is the next scheduled adjustment date of the MLA indemnity and allowances. If this date were selected, it would be understood that the recommended salary would be further adjusted by the annual Saskatchewan CPI increase to take effect as of April 1, 2007.

Another option is to set the recommended salary effective the polling date of the next general election. The rationale for this option is that Members would not be granting themselves an increase in their salaries while serving in the current sitting of the Legislature. The recommended salary should be adjusted by the annual CPI increase scheduled on April 1, 2007 assuming a general election were to be held after that date.

The Committee offers as a third option that the recommended MLA indemnity be implemented on October 1, 2006, followed by the annual Saskatchewan CPI adjustment scheduled on April 1, 2007. This will provide sufficient time to implement the recommended changes and enable sitting MLA's to take advantage of the proposed increases before the next election is called.

It is therefore the recommendation of the Independent Review Committee that:

The effective date for the implementation of the recommended salary adjustment be determined by the Board of Internal Economy.

TABLE 1 MEMBER INDEMNITY AND EXPENSE ALLOWANCE COMPARISONS (2006)

JURISDICTION	INDEMNITY (A)	TAX FREE EXPENSE ALLOWANCE (B)	GROSSED UP TAX FREE ALLOWANCE (C) *	TOTAL (A + C)
House of Commons	$147,700			$147,700
Quebec	$80,464	$14,234	$24,767	$105,231
Northwest Territories	$87,572			
(1) Within Commuting Distance		$6,784	$10,312	$97,884
(2) Beyond Commuting Distance & Members of Executive Council		$10,483	$15,934	$103,506
Ontario	$86,860			$86,860
Newfoundland and Labrador	$47,240	$23,620	$40,390	$87,630
New Brunswick	$43,955	$21,978	$35,824	$79,779
Alberta	$47,496	$23,748	$34,910	$82,406
British Columbia	$76,100			$76,100
Manitoba	$73,512			$73,512
Saskatchewan	$64,817	$5,426	$8,356	$73,173
Yukon	$38,183			
(1) Within Whitehorse		$16,669	$24,337	$62,520
(2) Outside Whitehorse & Members of Executive Council		$19,091	$27,873	$66,056
Nunavut	$67,543	$1,000	$1,410	$68,953
Nova Scotia	$65,556			$65,556
Prince Edward Island	$36,689	$12,000	$20,160	$56,849

* Based on 2005 federal, provincial and territorial personal income tax rates.

TABLE 2
MLA SALARY– COMPENSATION INDICES SINCE 1996

YEAR	MLA Salary Actual	Sask. CPI	Sask. Average Weekly Earnings[2]	Sask. Wage Settlements	
				Public Sector[3]	Private Sector[4]
Start[1]	61,930	61,930	61,930	61,930	61.930
1996		1.9	.63	2.00	1.80
1997		1.2	2.42	3.00	2.10
1998		1.4	2.79	4.12	1.80
1999		1.7	1.02	4.66	2.70
2000		2.6	3.01	4.03	2.40
2001		3.1	1.92	3.95	3.00
2002		2.8	1.70	3.00	2.60
2003		2.3	2.34	0.00	1.20
2004		2.2	3.69	1.00	2.20
2005		2.2	3.75	3.00	2.60
2006	73,173	76,610	77,970	82.260	75,200
Average Annual % Change	1.68	2.15	2.33	2.88	1.96

[1] Starting salary as of July 1, 1996 made up of annual indemnity of ($55,000) and taxable equivalent value of the tax free expense allowance ($6930) = $61,930
[2] Statistics Canada Cansim Table 281-0027
[3] SGEU In Scope (Increases from 1998 – 2001 include pay equity)
[4] Workplace Information Difectorate - Employers with 500 or more employees.

MECHANISMS FOR ADJUSTING MLA COMPENSATION

By Province and Territory in Canada*

Following are means used in Canadian jurisdictions to review and revise Members' annual salaries (indemnity and/or allowances)

BRITISH COLUMBIA: Members' indemnity is adjusted on April 1 by a formula based on the Consumer Price Index for BC combined with average hourly wages of employees in selected professions, less a reduction factor. Since salary changes require amendments to the *Legislative Assembly Allowances Act*, proposed revisions are subject to debate in the house.

ALBERTA: Components of Member remuneration are adjusted on April 1 of each year by the same percentage increase or decrease as the Average Weekly Earnings for Alberta as reported by Statistics Canada for the preceding calendar year.

SASKATCHEWAN: The basic indemnity and allowances are adjusted annually on April 1 by the average annual change in the Consumer Price Index for Saskatchewan. The Board of Internal Economy, in the absence of an Independent Committee, can make changes to the indemnity and allowances.

MANITOBA: After every general election, an Independent Commissioner is appointed to decide on "appropriate salary, allowances and retirement benefits for Members". As of April 1, 2006, the COLA provision that is in place is computed as the previous five-year moving average increase in the Manitoba Consumer Price Index (CPI).

ONTARIO: The Integrity Commissioner, at such intervals as are considered appropriate, can review and determine the appropriate salary for MPP's. Currently, the CPI is used to adjust members' compensation.

QUEBEC: The annual indemnity is to be increased by a percentage equal to that of the increase in the salary scales for the group of positions of senior executives in the public service as of the effective dates of the new salary scales. Expense allowances are tied to the Consumer Price Index on January 1 of each year.

NEW BRUNSWICK: Changes to salaries and allowances must be agreed to by the Legislative Administration Committee. An independent committee can also be convened to review member compensation, but this mechanism has been used infrequently. Change in three year average wages of New Brunswick employees is currently used to adjust salaries and allowances.

NOVA SCOTIA: An independent commission is currently in place to review Member compensation. Until the commission's recommendations are filed, increases in pay will continue to be based on increases in the Public Service (union and non-union).

PRINCE EDWARD ISLAND: After every general election an independent commission is appointed to determine MLA compensation. Decisions contained in the commission's report are final and effective on the date indicated in the report.

NEWFOUNDLAND AND LABRADOR: Since the use of commissions has fallen into disuse, Members have agreed to be governed by the Public Service pay increase regime.

YUKON: Members' indemnities and allowances are adjusted on April 1 of each year by the average change in the CPI over the previous two calendar years. Allowances for additional duties are not indexed and can only be changed by amendment to the *Legislative Assembly Act*.

NORTHWEST TERRITORIES: Within two years of an election an independent commission is appointed to review and recommend on indemnities and allowances. Effective April 1 of each year salaries and allowances are revised by changes made to the Collective Agreement of the Government.

NUNAVUT: Members' salaries and allowances are tied to the same percentage increase that Public Service employees receive due to collective bargaining.

HOUSE OF COMMONS (CANADA): Adjustments are derived from an index based on major settlements negotiated with bargaining units of 500 or more employees in the private sector in Canada, as published by the Department of Human Resources and Social Development, within three months of the end of the calendar year.

* the preceding summaries are based on information available to the Independent Review Committee on MLA Indemnity (Saskatchewan) as of May 2006.

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Ken Krawetz on behalf of the Opposition Caucus

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Monique Lovatt, Administrative Assistant
Zorka Ripplinger, Office Assistant

Marilyn Borowski, Director, Finance and Member Payments

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Gregory P. Marchildon, Graduate School of Public Policy
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David Smith, Saskatchewan Institute of Public Policy
Gary Tompkins, Head, Economics Department, University of Regina
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Personnel Policy Secretariat
Allan Barss, Executive Director
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Service Canada Saskatchewan

Labour Market Information Service
Bob Reid
Rob Raisbeck

Canadian Taxpayers Federation: Brief by David MacLean, Saskatchewan Director

Susan Antosh, President and CEO, SAHO, personal views

Tom Graham, President, CUPE Saskatchewan

Larry Hubich, President, Saskatchewan Federation of Labour

Rosalee Longmoore, President, Saskatchewan Union of Nurses

Kent Smith-Windsor, Executive Director, Greater Saskatoon Chamber of Commerce

REFERENCES

In addition to provincial government sources, statistical data, and submissions identified in the Acknowledgments, the MLA Indemnity Review Committee made reference to the following documents in carrying out its mandate:

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